

**BIOTECH CAPITAL LIMITED**

ANNUAL FINANCIAL STATEMENTS AND DIRECTORS REPORT

30 JUNE 2016

## **Directors' Report**

The directors of Biotech Capital Limited present their report on the audited financial statements of Biotech Capital Limited for the year ended 30 June 2016.

### **Directors**

The following persons were directors of Biotech Capital Limited ("the Company") during the whole of the financial year and up to the date of this report, unless stated otherwise:

Alastair John Davidson (resigned 1 September 2015)  
Edward William Taylor (resigned 17 November 2015)  
Richard Spencer Treagus  
Peter John Jones  
Bruce Alan Hancox (appointed 1 September 2015)  
Jonathan Charles Pilcher (appointed 1 September 2015)  
Jennifer Rachel Herz (appointed 4 April 2016)

### **Principal Activities**

Biotech Capital is a Pooled Development Fund, registered under the Pooled Development Funds Act 1992. The Company continues to actively seek new investment opportunities in entities operating in the biotechnology / life-science sectors.

### **Changes in the State of Affairs**

Biotech Capital has invested in two new investments over the last year being Biointelect Pty Ltd and Bio101group Pty Ltd. Biotech capital invested \$1,421,815 in Biointelect Pty and \$100,100 in Bio101group Pty Ltd.

### **Review of Operations and Results**

Revenue from continuing operations for the year was up 527.15% to \$71,184 on the same period last year (2015: \$11,350). Operating loss after income tax for the same period increased 71.75% to a loss of \$870,780 (2015: \$507,019 loss). The loss was after recording an impairment provision on unlisted investments of \$700,000 (2015: \$300,000). The net tangible asset backing per share as at 30 June 2016 equated to 2.29 cents (2015: 1.21 cents).

### **Financial Position**

During the year, the company's net assets grew to \$2,489,135 compared with \$1,036,015 in 2015.

### **Dividends**

No dividends have been declared in respect of the financial year ended 30 June 2016.

### **Business Strategies and Future Prospects**

Biotech Capital's investee companies Biointelect and Bio101 are providing a range of professional services to high-growth biotech, medtech and pharmaceutical companies. Biotech Capital is committed to supporting the business objectives of Biointelect and Bio101 in order that they grow their respective service offerings, client base, revenues and ultimately their profitability. Biotech Capital also continues to seek and carefully evaluate additional investment opportunities in the life sciences sector, more specifically, technologies and companies that in the Board's view will benefit from greater access to management expertise and development capital.

**Information on Directors**

Director	Experience	Special Responsibilities	Particulars of Directors' Interest at the date of this report	
			Shares	Options
R S Treagus	BScMed, MBChB, MPharmMed, MBA, MAICD. Dr Treagus is a physician and entrepreneur with over 20 years' experience in all aspects of the international pharmaceutical and biotechnology industry. Currently a Director of Neuren Pharmaceuticals Limited and QRx Pharma Limited. Appointed 4 August 2014. Age 50.	Non-Executive Chairman	17,000,000	-
P J Jones	Chartered Accountant. Mr Jones is a successful investor in public and private companies and has considerable investment experience in the biotechnology and life sciences sector. Appointed 4 August 2014. Age 64.	Non-Executive Director	13,651,133	-
B A Hancox	Mr Hancox has had a long and distinguished career in business in New Zealand and Australia. Currently a director of Neuren Pharmaceuticals Limited. QRx Pharma Limited and Medical Australia Limited. Appointed 1 September 2015. Age 67.	Non-Executive Director	-	-
J C Pilcher	Chartered Accountant. Mr Pilcher holds a degree in biotechnology from the University of Reading in the UK. Currently the CFO and Company Secretary of Neuren Pharmaceuticals Limited. Appointed 1 September 2015. Age 50.	Non-Executive Director	-	-
J R Herz	Graduate Member of the Australian Institute of Company Directors. Mrs. Herz has over 20 years commercial & scientific affairs experience in the biopharmaceutical industry. Currently the CEO of Biointelect Pty Ltd. Appointed 4 April 2016. Age 49.	Non-Executive Director	10,000,000	1,000,000

**Company Secretary**

Mr Stuart Jones was appointed as Company Secretary on the 18 November 2015. Mr Jones has over 9 years' financial management and administration experience within the accounting profession and commerce. He is a member of Chartered Accountants Australia and New Zealand.

**Remuneration Report (Audited)**

This report outlines the remuneration arrangements in place for key management personnel of Biotech Capital Limited - (the "company").

The following persons acted as directors of the company during the financial year:

Alastair John Davidson resigned 1 September 2015  
 Edward William Taylor resigned 17 November 2015  
 Richard Spencer Treagus  
 Peter John Jones  
 Bruce Alan Hancox appointed 1 September 2015  
 Jonathan Charles Pilcher appointed 1 September 2015  
 Jennifer Rachel Herz appointed 4 April 2016

Apart from directors, there were no other Key Management Personnel (“KMP”) during the financial year.

Remuneration Policy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives. The Company has no employees and fees for services provided by Directors have been determined contractually at arm’s length. For these reasons, the Board has not appointed a Remuneration Committee and this function is being undertaken by the Board.

The non-executive Directors are each paid a fixed annual fee of \$20,000 which is a rate determined by the board. The director’s fee is prorated based on the number of days the individual acts as a director. Jennifer Herz is the only non-executive whom is not paid a directors fee by Biotech Capital.

No KMP are employed under contract (therefore no minimal notice period). No KMP are entitled to long service leave or annual leave.

Company Performance and Link to Company Performance

Non-executive directors receive fixed rate remuneration, with no link to company performance.

The following table shows the revenue, the operating result and net assets of the company for the last 5 years for the listed entity, as well as the share price and earnings per share at the end of the respective financial years.

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Revenue	52,577	37,712	15,596	11,350	71,184
Net Profit/ (Loss) after tax	(1,860,167)	(501,748)	(1,888,973)	(507,019)	(870,780)
Other Comprehensive Income (Loss)	(1,624,638)	(188,890)	-	-	-
Dividend Paid	-	(745,540)	-	-	-
Share Placement	-	-	-	277,143	2,318,123
Net Assets	4,591,042	3,154,864	1,265,891	1,036,015	2,489,135
Share price at Year end (in cents)	0.04	0.02	0.025	0.10	0.11
Basic earnings per Share (in cents)	(2.50)	(0.67)	(2.53)	(0.60)	(0.88)

Remuneration of Directors:

2016	Short Term Employee Benefits	Post Employment Benefits	Share Based Payments	Other Long Term Benefits	Total \$
	Salary and Fees	Superannuation			
A J Davidson (non-executive) resigned 1 September 2015	3,333	-	-	-	3,333
E W Taylor (non-executive) resigned 17 November 2015	7,609	-	-	-	7,609
R S Treagus (Chairman)	20,000	-	-	-	20,000
P J Jones (non-executive)	20,000	-	-	-	20,000
B A Hancox (non- executive) appointed 1 September 2015	16,667	-	-	-	16,667
J C Pilcher (non- executive) appointed 1 September 2015	16,667	-	-	-	16,667
J R Herz (non-executive) appointed 4 April 2016	-	-	5,777	-	5,777
<b>Total Remuneration</b>	<b>84,276</b>	<b>-</b>	<b>5,777</b>	<b>-</b>	<b>90,053</b>

2015	Short Term Employee Benefits	Post Employment Benefits	Share Based Payments	Other Long Term Benefits	Total \$
	Salary and Fees	Superannuation			
A J Davidson (non-executive) resigned 1 September 2015	20,000	-	-	-	20,000
H Karelis (non-executive) resigned 4 August 2014	6,667	-	-	-	6,667
E W Taylor (non-executive)	20,000	-	-	-	20,000
R S Treagus (Chairman) appointed 4 August 2014	18,172	-	-	-	18,172
P J Jones (non-executive) appointed 4 August 2014	18,172	-	-	-	18,172
<b>Total Remuneration</b>	<b>83,011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,011</b>

Share based payments

Jennifer Herz received share based payments in the form of unlisted options. The options are a part of her employment contract with Biointelect Pty Ltd.

Jennifer's options are as per below

Option Series	Options granted	Grant Date	Grant date fair value \$	Exercise Price \$	Expiry Date	Vesting Date
Tranche 1	330,000	4 April 2016	0.030	0.159	4 April 2020	4 April 2018
Tranche 2	330,000	4 April 2016	0.035	0.159	4 April 2021	4 April 2019
Tranche 3	340,000	4 April 2016	0.039	0.159	4 April 2022	4 April 2020

The above options will only vest if Jennifer is employed by Biointelect on the date of vesting.

No other director of the Company received any share based payments as part of their remuneration during the financial year ended 30 June 2016.

Remuneration Practices

No director appointed during the period received a payment as part of his or her consideration for agreeing to hold the position. The remuneration of each director has been established on the basis of a flat fee, inclusive of any superannuation benefit. Thus there is no direct link between performance and the level of remuneration.

***Share holdings***

The numbers of shares in the company held during the financial year by each director of Biotech Capital Limited, including their personally-related entities, are set out below:

Year ended 30 June 2016

Name	Balance at the start of the year	Additions	Other net changes during the year*	Balance at the end of the year
<b>Ordinary shares</b>				
A J Davidson	120,000	-	(120,000)	-
E W Taylor	554,471	-	(554,471)	-
R S Treagus	17,000,000	-	-	17,000,000
P J Jones	13,515,810	135,323	-	13,651,133
B A Hancox	-	-	-	-
J C Pilcher	-	-	-	-
J R Herz	-	10,000,000	-	10,000,000
<b>Unlisted Options</b>				
J R Herz	-	1,000,000	-	1,000,000

Year ended 30 June 2015

Name	Balance at the start of the year	Additions	Other net changes during the year*	Balance at the end of the year
<b>Ordinary shares</b>				
A J Davidson	120,000	-	-	120,000
H Karelis	800,000	-	(800,000)	-
E W Taylor	500,000	54,471	-	554,471
R S Treagus	-	17,000,000	-	17,000,000
P J Jones	-	13,515,810	-	13,515,810
<b>Unlisted Options</b>				
-	-	-	-	-

\*Net change relates to the shares held at the date of resignation of key management personnel.

#### Transactions with directors and director related entities

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available or which might reasonably be expected to be available, on similar transactions to non-director entities on an arm's length basis.

#### **End of Remuneration Report**

#### **Directors Meetings**

The number of meetings of the company's board of directors (including committees of directors) held for the year ended 30 June 2016, and the number of meetings attended by each director were:

	<b>Number of Director Meetings whilst person a Director</b>	<b>Number of Director meetings Attended</b>	<b>Number of Audit Committee Meetings</b>	<b>Number of meetings eligible to attend</b>	<b>Number of meetings Attended</b>
A J Davidson	1	1	-	-	-
E W Taylor	3	3	2	1	1
R S Treagus	8	8	-	-	-
P J Jones	8	8	2	1	1
B A Hancox	7	7	2	1	1
J C Pilcher	7	7	2	1	1
J R Herz	2	2	-	-	-

#### **Auditor Independence Declaration to the Directors**

The directors have received the auditors' independence declaration which is included on page 31 of this report.

#### **Insurance of Officers**

During the financial year, the company paid a premium of \$9,680 (2015: \$9,680) including GST to insure the directors and officers of the company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or a related body corporate.

#### **Share Options**

At the date of this report, Biotech Capital Limited has 2,000,000 unissued ordinary shares under option.

### **Significant Events after the Balance Date**

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

### **Likely Developments and Expected Results of Operations**

Biotech Capital is committed to supporting the business objectives of Biointelect and Bio101 in order that they grow their respective service offerings, client base, revenues and ultimately their profitability. Biotech Capital also continues to seek and carefully evaluate additional investment opportunities in the life sciences sector, more specifically, technologies and companies that in the Board's view will benefit from greater access to management expertise and development capital.

### **Environmental Regulation**

The company is not subject to any significant environmental regulation in respect of its activities.

### **Proceedings on Behalf of the Board**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

### **Auditor & Non-Audit Services**

Other than audit fees, Deloitte Touche Tohmatsu were not paid a fee for other services during the year (2015: \$Nil).

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.



**R S Treagus**  
**Chairman**  
**Melbourne**  
**7 September 2016**

**Financial Report - 30 June 2016**

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Biotech Capital Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Biotech Capital Limited  
Suite 201  
697 Burke Road,  
Camberwell VIC 3124

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2016**

	Notes	2016 \$	2015 \$
<b>Revenue from continuing operations</b>	2	<b>71,184</b>	<b>11,350</b>
Directors fees		(90,053)	(83,011)
Other expenses from operations		(151,911)	(135,358)
Impairment provision on unlisted investments	6	<u>(700,000)</u>	<u>(300,000)</u>
		<b>(870,780)</b>	<b>(518,369)</b>
<b>Loss before income tax</b>		<b>(870,780)</b>	<b>(507,019)</b>
<b>Income tax benefit</b>	3	<u>-</u>	<u>-</u>
<b>Loss after income tax attributable to members of Biotech Capital Limited</b>		<b><u>(870,780)</u></b>	<b><u>(507,019)</u></b>
<b>Total comprehensive loss for the year</b>		<b><u>(870,780)</u></b>	<b><u>(507,019)</u></b>
<b>Loss per share</b>			
Basic and diluted loss per share	18	(0.88) cents	(0.60) cents

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**Statement of Financial Position  
As at 30 June 2016**

	Notes	2016 \$	2015 \$
<b>Current Assets</b>			
Cash and cash equivalents	4	1,185,208	351,896
Trade and other receivables	5	-	2,084
<b>Total Current Assets</b>		<u>1,185,208</u>	<u>353,980</u>
<b>Non-Current Assets</b>			
Financial assets	6	<u>1,521,915</u>	<u>700,000</u>
<b>Total Non-Current Assets</b>		<u>1,521,915</u>	<u>700,000</u>
<b>Total Assets</b>		<u><b>2,707,123</b></u>	<u><b>1,053,980</b></u>
<b>Current Liabilities</b>			
Trade and other payables	7	18,185	17,965
Unpresented Dividends		<u>199,803</u>	<u>-</u>
<b>Total Current Liabilities</b>		<u>217,988</u>	<u>17,965</u>
<b>Total Liabilities</b>		<u><b>217,988</b></u>	<u><b>17,965</b></u>
<b>Net Assets</b>		<u><b>2,489,135</b></u>	<u><b>1,036,015</b></u>
<b>Equity</b>			
Issued Capital	8	41,934,083	39,615,960
Other reserves	9	5,777	-
Accumulated Losses	10	<u>(39,450,725)</u>	<u>(38,579,945)</u>
<b>Total Equity</b>		<u><b>2,489,135</b></u>	<u><b>1,036,015</b></u>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Statement of Cash Flows**  
**For the year ended 30 June 2016**

	Notes	2016 \$	2015 \$
<b>Cash Flows from Operating Activities</b>			
Interest received		15,889	11,350
Other Income and Interest on unclaimed dividend account		55,294	-
Payments to suppliers and directors		(233,883)	(220,879)
<b>Net cash used in operating activities</b>	11	<u><b>(162,700)</b></u>	<u><b>(209,529)</b></u>
<b>Cash Flows from Investing Activities</b>			
Transfer from Unclaimed Dividend account		199,803	-
Payments for Investments		(221,915)	-
<b>Net cash used in investing activities</b>		<u><b>(22,112)</b></u>	<u><b>-</b></u>
<b>Cash Flows from Financing Activities</b>			
Share placement (net of capital raising costs)		1,018,124	277,143
<b>Net cash provided by financing activities</b>		<u><b>1,018,124</b></u>	<u><b>277,143</b></u>
<b>Net increase in cash and cash equivalents held</b>		<b>833,312</b>	<b>67,614</b>
Cash and cash equivalents at the beginning of the financial year		351,896	284,282
<b>Cash and cash equivalents at the end of the Financial Year</b>	4	<u><u><b>1,185,208</b></u></u>	<u><u><b>351,896</b></u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

**Statement of Changes in Equity**  
For the year ended 30 June 2016

	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$
<b>At 1 July 2014</b>	<b>39,338,817</b>	<b>(38,072,926)</b>	-	<b>1,265,891</b>
Loss for the year	-	(507,019)	-	(507,019)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the year	-	(507,019)	-	(507,019)
Transaction with owners in their capacity as owners: Share placement (net of capital raising costs)	277,143	-	-	277,143
<b>At 30 June 2015</b>	<b>39,615,960</b>	<b>(38,579,945)</b>	-	<b>1,036,015</b>
<b>At 1 July 2015</b>	<b>39,615,960</b>	<b>(38,579,945)</b>	-	<b>1,036,015</b>
Loss for the year	-	(870,780)	-	(870,780)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the year	-	(870,780)	-	(870,780)
Transaction with owners in their capacity as owners: Share placement (net of capital raising costs)	2,318,123	-	-	2,318,123
Share based payments	-	-	5,777	5,777
<b>At 30 June 2016</b>	<b>41,934,083</b>	<b>(39,450,725)</b>	<b>5,777</b>	<b>2,489,135</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

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## **Note 1 Summary of Significant Accounting Policies**

### **The Financial Report of Biotech Capital Limited for the year ended 30 June 2016**

This general purpose financial report has been prepared in accordance with the requirements of Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. The financial report was authorised for issue in accordance with a resolution of the directors on 6 September 2016

Biotech Capital Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

#### **Basis of Preparation**

The financial statements are prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Both the functional currency and presentation currency of Biotech Capital Limited is Australian dollars (\$AUD).

For the purpose of preparing the financial statements, the Company is a for-profit entity.

#### **Statement of Compliance**

Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards ('IFRS').

#### **Adoption of New and Revised Accounting Standards**

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operation and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material impact on the amounts recognised in the financial statements of the Company for the current and prior periods.

#### **Standards and Interpretations in issue but not yet adopted**

At the date of authorisation of the financial statements, there are Standards and Interpretations that were issued but not yet effective. The directors anticipate that the adoption of these Standards and Interpretations, except for AASB9, in the future periods will have no material financial impact on the financial statements of the Company. The adoption will not likely impact the accounts, but will change the disclosures presently made in relation to the financial statements.

#### **Significant Accounting Policies**

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

**(a) Income Tax**

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

**(b) Impairment of Financial Assets**

Financial assets, other than those financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available-for-sale.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

**(c) Revenue Recognition**

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**(d) Investment Entity**

The company meets the definition of investment entities which are exempt from consolidation under AASB10 Consolidated Financial Statements. Instead of consolidating controlled investments the company measures its investments at fair value in the Statement of Financial Position and recognises changes in the fair value through the Statement of Profit and Loss.

**(e) Investments and other Financial Assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

*(i) Available-for-sale*

All investments are initially recognised at fair value, being the fair value of the consideration given and including transaction costs that are directly attributable to the acquisition or issue of the investment. After initial recognition, investments, which are classified as available-for-sale, are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments in unlisted shares that are not traded in an active market, also classified as available-for-sale financial assets and stated at fair value (because the directors consider that the fair value can be reliably measured), fair value is determined in a manner described in note 6.

*(ii) Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

*(iii) Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity, such as term deposits, are initially recognised at fair value and subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

**(f) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprises of cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(g) Trade and other creditors**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(h) Earnings / (Loss) per share**

*(i) Basic earnings / (loss) per share*

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings / (loss) per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(i) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(j) Significant accounting judgments, estimates and assumptions**

In applying the Company's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*Valuation of investments*

The fair values of unlisted securities not traded in an active market are determined in a manner described in note 6.

*Impairment of financial assets*

The company assesses impairment of all assets at each reporting date by evaluating conditions specific to their investments and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves impacts on estimated future cash flows which incorporate a number of key estimates and assumptions. The Board reviews the latest financial results of unlisted companies, project updates from the investment manager and market data available to determine any impairment on unlisted investments. Impairment is made based on management best estimates of future estimated cash flows. An impairment loss of \$700,000 was recorded in 2016 on unlisted investments (2015: \$300,000).

*Valuation of unlisted options*

The fair values of unlisted options, which are not traded in an active market, are determined in the manner described in note 9. This involves the use of a Black Scholes valuation model and the use of estimates such as share price volatility and the probability of meeting market and service conditions attached to the option.

**Note 2 Revenues from Ordinary Activities**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
Finance revenue	15,889	11,350
Other revenue	55,295	-
	<u>71,184</u>	<u>11,350</u>

**Note 3 Income Tax**

Major components of income tax expense for the years ended 30 June 2016 and 2015 are:

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
<b>Statement of Profit or Loss and other Comprehensive Income</b>		
<i>Current Income</i>		
Current income tax benefit	-	-
Adjustments in respect to current income tax of previous years	-	-
<i>Deferred Income Tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in the statement of profit or loss and other comprehensive income	<u>-</u>	<u>-</u>

A reconciliation of income tax expense / (benefit) applicable to accounting profit / (loss) before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 30 June 2016 and 2015 is as follows:

Accounting profit / (loss) before tax from continuing operations	(870,780)	(507,019)
Loss before tax from discontinued operations	-	-
Accounting profit / (loss) before income tax	<u>(870,780)</u>	<u>(507,019)</u>
At the statutory income tax rate of 25% (2015: 25%)	(217,695)	(126,755)
Adjustments in respect of current income tax of previous years	-	-
Investment provisions not deductible	175,000	75,000
Temporary differences and tax losses not brought to account as a deferred tax asset	42,695	51,755
At effective income tax rate of (0%) (2015: (0%))	<u>-</u>	<u>-</u>
Income tax expense reported in statement of profit or loss	<u>-</u>	<u>-</u>

The Company is a Pooled Development Fund (PDF) and is taxed at 15% on income and gains from investments in small to medium enterprises and taxed at 25% on other income.

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Tax Losses - Revenue	6,122,393	6,080,448
Other	4,250	3,500
Tax Losses - Capital	44,546	44,546
	<u>6,171,189</u>	<u>6,128,494</u>

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the company can utilise the benefits from.

#### **Note 4 Cash and cash equivalents**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
Cash at bank and on hand	<u>1,185,208</u>	<u>351,896</u>
	<u>1,185,208</u>	<u>351,896</u>

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Term deposits are made for varying periods; those deposits with a maturity date less than 3 months are classified as cash equivalents and earn interest at the respective term deposit rate.

#### **Note 5 Trade and other receivables**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
GST recoverable	<u>-</u>	<u>2,084</u>
	<u>-</u>	<u>2,084</u>

Trade and other receivables are non-interest bearing and are generally on a 60 day term.

#### **Note 6 Financial Assets**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
<b>Non- Current</b>		
<b>Available for sale financial assets</b>		
Net investment value in Sensear Pty Ltd	-	700,000
Total available for sale financial assets	<u>-</u>	<u>700,000</u>

The cost base for the investment in Sensear Pty Ltd. is \$3,116,761. In 2016 the net investment has been reduced to nil (2015: \$700,000) after an additional impairment provision of \$700,000 was recognised during this reporting period.

	30 June 2016 \$	30 June 2015 \$
<b>Financial assets carried at fair value through profit or loss</b>		
Biointellect Pty Ltd	1,421,815	-
Bio101group Pty Ltd	100,100	-
Total Financial assets carried at fair value through profit or loss	<u>1,521,915</u>	<u>-</u>
Total Non-Current Financial Assets	<u><b>1,521,915</b></u>	<u><b>700,000</b></u>

The acquisition of Biointellect Pty Ltd was in April 2016 and Bio101group Pty Ltd was acquired in June 2016. As both of these investments were acquired within the last three months of the reporting period, the fair value at 30 June 2016 is considered to be the same as the acquisition costs incurred.

Biointellect is 100% owned by Biotech Capital Limited and provides consulting services for entities in the biopharmaceutical industry seeking to commercialise new technologies. Biointellect has expertise in evaluating clinical, regulatory, and economic evidence to support a highly targeted and effective market entry strategy.

Bio101group is 100% owned by Biotech Capital Limited. Bio101 provides a range of finance and administration services to private, public and listed companies in the Australian life sciences sector. These services include accounting, company secretarial, taxation, grant applications, payroll administration, business development, royalty and partner management.

#### *Unlisted shares*

The fair value of each unlisted investment is determined by directors' valuation, which is based on their experience in the industry and the average realisable value in the short term based on their change in investment strategy. The directors have used assumptions, such as impacts on estimated cash flows, project updates and other market data available in determining their valuation of the unlisted investments.

#### *Impairment Loss on Unlisted Investment*

An allowance for impairment loss is recognised when there is objective evidence that the unlisted investment is impaired. During the year, the Board obtained the latest financial results of Sensear Pty Ltd and reviewed project updates from management. A provision for an impairment loss of \$700,000 was recognised in 2016 (2015: \$300,000) in the statement of profit or loss and other comprehensive income.

	30 June 2016 \$	30 June 2015 \$
<b>Summary of changes in investments in financial assets</b>		
Opening	700,000	1,000,000
Provision of impairment loss in unlisted investments	(700,000)	(300,000)
Additions	1,521,915	-
Disposals	-	-
Revaluations	-	-
Closing	<u>1,521,915</u>	<u>700,000</u>

As at 30 June 2016, Biotech Capital Limited holds a 100% interest in each of Biointellect Pty Ltd and Bio101group Pty Ltd and an interest in Sensear Pty Ltd of less than 20%.

Biointellect is based at 142/117 Old Pittwater Rd, Brookvale NSW 2100. Bio101group's principal place of business is Suite 201/ 697 Burke Road, Camberwell VIC 3124.

Biotech Capital Limited, as an investment entity, has applied the exception to consolidation and instead accounts for its investment in a subsidiary at fair value through profit or loss in accordance with AASB 10.

**Note 7 Trade and other payables**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
<b>Current</b>		
Trade creditors	1,185	3,965
Audit fees payable	17,000	14,000
	<u>18,185</u>	<u>17,965</u>

Trade and other payables are non-interest bearing and are generally settled on 60 day terms.

**Note 8 Issued Capital**

	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	Shares	\$	Shares	\$
(a) Ordinary Shares				
Issued and fully paid – Opening Balance	85,737,224	39,615,960	74,554,108	39,338,817
Share Placement 4 August 2014*	-	-	11,183,116	279,578
Capital raising costs				(2,435)
Share Placement 1 September 2015	12,860,583	1,028,858	-	-
Capital raising costs		(4,989)		
Share Placement 4 April 2016 - consideration for the acquisition of Biointellect Pty Ltd	10,000,000	1,300,000	-	-
Capital raising costs		(5,735)		
Closing Balance	<u>108,597,807</u>	<u>41,934,083</u>	<u>85,737,224</u>	<u>39,615,960</u>

\* This placement included 10,000,000 shares issued to two directors.

**(b) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The company does not have authorised capital or par value in respect of its issued capital.

**Note 9 Share options Reserve**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
Opening balance	-	-
Amortisation of unlisted share options	5,777	-
Closing balance	<u>5,777</u>	<u>-</u>

Unlisted options are valued using the Black-Scholes valuation model and are amortised over the service period of the options. At the date of the report, there are 2,000,000 unlisted ordinary shares under option (2015: Nil).

The following share-based payment arrangements in the form of share options were in existence during the current reporting period:

<b>Options Granted</b>	<b>Grant Date</b>	<b>Grant date fair value \$</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>	<b>Vesting Date</b>
660,000	4 April 2016	0.030	0.159	4 April 2020	4 April 2018
660,000	4 April 2016	0.035	0.159	4 April 2021	4 April 2019
680,000	4 April 2016	0.039	0.159	4 April 2022	4 April 2020

The above options will only vest if the eligible recipient is employed by Biointelect on the date of vesting.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

#### **Fair value of share options granted in the year**

The weighted average fair value of the share options granted during the financial year is \$0.035 (2015: \$NIL). Options were priced using a Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions, including the probability of meeting market and service conditions attached to the option. Expected volatility was based on the historical share price volatility in the period from September 2015 to the grant date.

#### **Inputs into the model**

	<b>Options Tranche</b>		
	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>
Grant date share price	0.13	0.13	0.13
Exercise price	0.159	0.159	0.159
Attribution Period	2	3	4
Options Granted	660,000	660,000	680,000
Volatility	34.84%	34.84%	34.84%
Dividend Yield	0.00%	0.00%	0.00%
Risk free rate	2.00%	2.00%	2.00%

#### **Note 10 Accumulated Losses**

	<b>30 June 2016 \$</b>	<b>30 June 2015 \$</b>
Accumulated losses at the beginning of the year	(38,579,945)	(38,072,926)
Net Loss for the year	<u>(870,780)</u>	<u>(507,019)</u>
Accumulated losses at the end of the year	<u><u>(39,450,725)</u></u>	<u><u>(38,579,945)</u></u>

**Note 11 Reconciliation of Operating Loss after Income Tax to the Net Cash Flow from Operating Activities**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
Operating loss after income tax	(870,780)	(507,019)
<i>Adjustment for:</i>		
Provision for Impairment Loss on Unlisted Investments	700,000	300,000
Unpresented Dividends	(199,803)	-
Share Options fair value amortisation	5,777	-
(Decrease) / Increase in trade and other payables	<u>202,106</u>	<u>(2,510)</u>
Net cash outflow from operating activities	<u><u>(162,700)</u></u>	<u><u>(209,529)</u></u>

**Note 12 Subsequent Events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

**Note 13 Key Management Personnel**

Name and position of key management personnel of the company in office at any time during the financial year:

(i) Directors

A Davidson – Non-executive resigned 1 September 2015

R Treagus – Chairman

E Taylor – Non-executive resigned 17 November 2015

P Jones – Non-executive

B Hancox – Non-executive appointed 1 September 2015

J Pilcher – Non-executive appointed 1 September 2015

J Herz – Non-executive appointed 4 April 2016

(ii) Executives

None noted.

**Remuneration of key management personnel**

Information on remuneration of key management personnel is set out in the Remuneration Report in the Directors Report.

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
Short term benefits	84,276	83,011
Share based payments	5,777	-
	<u>90,053</u>	<u>83,011</u>

**Note 14 Remuneration of Auditors**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
Deloitte Touche Tohmatsu		
Remuneration for audit or review of the financial statements	27,616	27,500
Remuneration for non-audit - taxation and other services	-	-
	<u>27,616</u>	<u>27,500</u>

## **Note 15 Related Party Disclosures**

A number of related party transactions occurred in 2016.

- Key management personnel information as disclosed in the remuneration report, including remuneration paid in 2016: \$90,053 (2015: \$83,011)
- Mr. Stuart Jones (Company Secretary) is a related party of Mr Peter Jones (non-executive director) as he is his son. Stuart is paid by the hour for his services to Biotech Capital, Stuart reports to and has all invoices approved by Dr. Richard Treagus (Chairman). Remuneration received in 2016 was \$30,487 (2015: NIL).
- Mr. Cameron Jones an employee of Bio101group Pty Ltd (a wholly owned subsidiary of Biotech Capital) is also a related party of Mr. Peter Jones (non-executive director) as he his son. Cameron's remuneration was determined by, and he reports to, Dr. Richard Treagus (Chairman). Remuneration received in 2016 was \$3,939 (PY 2015: NIL).
- Mr. Karl Herz, an employee of Biointelect Pty Ltd (a wholly owned investment of Biotech Capital), is a related party of Mrs. Jennifer Herz (non-executive director) as Karl is her spouse. Karl's remuneration was determined by and he reports to Dr. Richard Treagus (Chairman). Remuneration received (salary and superannuation) in Biointelect since the acquisition of Biointelect by Biotech Capital was \$37,619. Karl was also issued 1,000,000 unlisted options in Biotech Capital as a part of his Biointelect Pty Ltd employment agreement for no cash consideration. (refer to note 9 for further details of options).

## **Note 16 Operating Segments**

Operating segments have been identified on the basis of internal reports of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors. On a regular basis, the board receives financial information on a company basis similar to the financial statements presented in the financial report, to manage and allocate their resources. Biotech Capital has a single operating segment, being the investment in biotechnology and pharmaceutical ventures.

## **Note 17 Financial Risk Management Objectives and Policies**

### **Financial Risk Management**

#### **Overview**

The company has exposure to the following risks from their use of financial instruments – interest rate risk, credit risk, liquidity risk and market price risk. This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board reviews regularly the adequacy of the risk management framework in relation to the risks faced by the company. The company's principal financial instruments comprise cash and short term deposits and financial assets. The company has other financial instruments such as trade debtors and trade creditors which arise directly from its operations. The company's policy in relation to the valuation of investments traded on organised markets, and unlisted investments has been described in Note 1(e).

#### **Interest Rate Risk**

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the company uses. The company's financial assets which are affected by interest rate risk are the company's cash and cash equivalents and term deposits held. The company manages its interest cost by using a mix of fixed and variable rates and trades only with recognised credit worthy third parties.

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

### 30 June 2016

	<b>Balance</b> \$	<b>Interest Rate</b>	<b>Weighted Average Effective Interest Rate</b>
<b>Financial Assets</b>			
Cash	1,185,208	Floating	1.25%
Receivables	-	N/A	-
Financial assets carried at fair value through profit or loss		N/A	
Unlisted investments	<u>1,521,915</u>		
Total financial assets	<u>2,707,123</u>		
<b>Financial liabilities -</b>			
Payables	18,185	N/A	-
Unpresented Dividends	<u>199,803</u>	N/A	-
Total financial liabilities	<u>217,988</u>		
Net Financial Assets	<u><u>2,489,135</u></u>		

### 30 June 2015

	<b>Balance</b> \$	<b>Interest Rate</b>	<b>Weighted Average Effective Interest Rate</b>
<b>Financial Assets</b>			
Cash	351,896	Floating	1.10%
Receivables	2,084	N/A	-
Available for sale financial assets:			
Unlisted investments	<u>700,000</u>	N/A	
Total financial assets	<u>1,053,980</u>		
<b>Financial liabilities -</b>			
Payables	<u>17,965</u>	N/A	-
Total financial liabilities	<u>17,965</u>		
Net Financial Assets	<u><u>1,036,105</u></u>		

#### **Fair value sensitivity analysis for fixed rate instruments**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### **Cash flow sensitivity analysis for variable rate instruments**

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Loss for the year ended 30 June 2016 would decrease/increase by \$6,356 (2015: decrease/increase by \$5,159). This is mainly attributable to the Group's exposure to interest rates on its variable rate savings.

#### **Credit Risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's financial assets. The company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of these assets.

### Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	6 months or less	Greater than 6 months, less than 1 year	Greater than 1 year
<b>30 June 2016</b>	\$	\$	\$	\$	\$
Trade and other payables	(217,988)	(217,988)	(217,988)	-	-
	(217,988)	(217,988)	(217,988)	-	-
<b>30 June 2015</b>					
Trade and other payables	(17,965)	(17,965)	(17,965)	-	-
	(17,965)	(17,965)	(17,965)	-	-

### Fair Value of Financial Assets and Liabilities

There is no difference between the fair values and the carrying amounts of the company's financial instruments. The company has no unrecognised financial instruments at balance date.

### Market Price Risk

Equity price risk arises from available-for-sale equity securities and financial asset held at fair value through profit or loss held as a part of the company's operations. Investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Company's investment strategy is to maximise investment returns on sale of investments. Listed investments are designated as available for sale financial assets because their performance is actively monitored and they are managed on a fair value basis.

### Sensitivity analysis on changes in market equity prices

A change of 20% (based on the Board's assessment of share price movements during the period and similar movements in the life sciences industry) in equity prices at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2015.

	Carrying Value	Profit or loss		Equity	
		20% increase	20% decrease	20% increase	20% decrease
<b>30 June 2016</b>	\$	\$	\$	\$	\$
Financial assets carried at fair value through profit or loss:					
Unlisted investments	1,521,915	-	(304,383)	304,383	(304,383)
		-	(304,383)	304,383	(304,383)
<b>30 June 2015</b>					
Available for sale financial assets:					
Unlisted investments	700,000	-	(140,000)	140,000	(140,000)
		-	(140,000)	140,000	(140,000)

**Fair value of financial instruments: Valuation techniques and assumptions applied for the purposes of measuring fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- b) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance by directors' valuations, which are based on their experience in the industry and the average realisable value in the short term. Directors have used assumptions, such as impacts on estimated cash flows, project updates and other market data available in determining their valuation of unlisted investments.

*Fair value measurements recognised in the statement of financial position:*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>30 June 2016</b>				
Financial assets				
Unlisted investments– Financial assets carried at fair value through profit or loss	-	-	1,521,915	1,521,915
	-	-	1,521,915	1,521,915
<b>30 June 2015</b>				
Financial assets:				
Unlisted investments– available for sale	-	-	700,000	700,000
	-	-	700,000	700,000

There were no transfers between levels during the year.

*Reconciliation of Level 3 fair value measurements of financial assets*

	2016 Total	2015 Total
	\$	\$
<b>Opening balance</b>	700,000	1,000,000
Total gains or losses:		
- acquisitions	1,500,100	-
- transaction costs	21,815	-
- in profit and loss	(700,000)	(300,000)
- in other comprehensive income	-	-
- disposals	-	-
<b>Closing balance</b>	1,521,915	700,000

*Significant assumptions used in determining fair value of financial assets and liabilities*

The fair value of unlisted available for sale investments are determined by directors' valuations and assumptions, such as impacts on estimated cash flows, project updates and market data available.

### Capital risk management

The Company objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Company's capital is performed by the Board. The company is not subject to externally imposed capital requirements. The Company's overall strategy remains unchanged from 2015.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
<b>Categories of financial instruments</b>		
<b>Financial assets</b>		
Cash and cash equivalents	1,185,208	351,896
Trade and other receivables	-	2,084
Financial assets carried at fair value through profit or loss	1,521,915	-
Available for sale financial assets	-	700,000
<b>Financial liabilities</b>		
Trade and other payables	18,186	17,965

### Note 18 Loss Per Share

	<b>30 June 2016</b>	<b>30 June 2015</b>
Basic and diluted loss per share, based on the after tax loss of \$870,780 (2015: (\$507,019)) *	(0.88) cents per share	(0.59) cents per share
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	98,761,149 shares	84,664,870 shares

\*The options issued are not included in the diluted EPS as they are anti-dilutive.

### Note 19 Contingent Liabilities

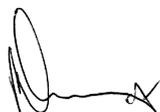
There were no contingencies of which the company is aware as at the date of this report.

## Directors' Declaration

The directors of the company declare that:

1. in the directors opinion, the financial statements and notes and the Remuneration Report in the Directors Report set out on pages 2 to 8 are in accordance with the Corporations Act 2001 including;
  - a) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001; and
  - b) gives a true and fair view of the company's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.
2. the Audit Committee Director and Company Secretary have given declarations in accordance with section 295A of the Corporations Act 2001.
3. the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.
4. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors pursuant to section 295(5) of the Corporations Act 2001.



**R S Treagus**  
**Chairman**  
**Melbourne**  
**7 September 2016**

7 September 2016

The Board of Directors  
Biotech Capital Limited  
Suite 201/697 Burke Road  
Camberwell VIC 3124

Dear Board Members

### **Biotech Capital Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Biotech Capital Limited.

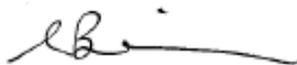
As lead audit partner for the audit of the financial statements of Biotech Capital Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann  
Partner  
Chartered Accountants

## **Independent Auditor's Report to the Members of Biotech Capital Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Biotech Capital Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 10 to 30.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Biotech Capital Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

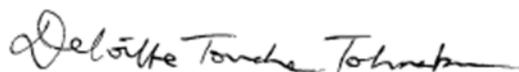
- (a) the financial report of Biotech Capital Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

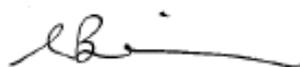
We have audited the Remuneration Report included in pages 3 to 7 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Biotech Capital Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann  
Partner  
Chartered Accountants  
Melbourne, 7 September 2016